

LANDBAY

Maximising your returns on HMOs and MUFBs

BTL Forum Presentation



Topics

- Regional yield data and sourcing data
- Why HMO/MUFB?
- What is an HMO?
- Legislation
- Planning
- Article 4
- Valuations
- HMO fact find
- Criteria highlights



This article is more than 9 months old

UK mortgage rate crisis driving record rent squeeze as landlords pass higher costs on to tenants

Cost of living crisis Banking & saving Investing Pensions & retirement Property Loans & Cards Insurance

Property investing

Is becoming a landlord still worth it?

One in five tenants are spending over half of their salary on rent: We reveal the LEAST affordable towns for renters



Tenants are being hit by soaring rents, as well as higher costs on their other essential outgoings. We look at which areas are least affordable, and when it pays to haggle with a landlord.

908 comments 34 shares

UK property survey shows falling sales and frenetic rental market

Rics reports contrasting picture of buyers holding back and tenants battling in bidding wars



'Higher mortgage rates are the final nail in the coffin for some landlords' - what higher costs mean for buy-to-let

RISING NUMBER OF BUY-TO-LET MORTGAGES IN ARREARS

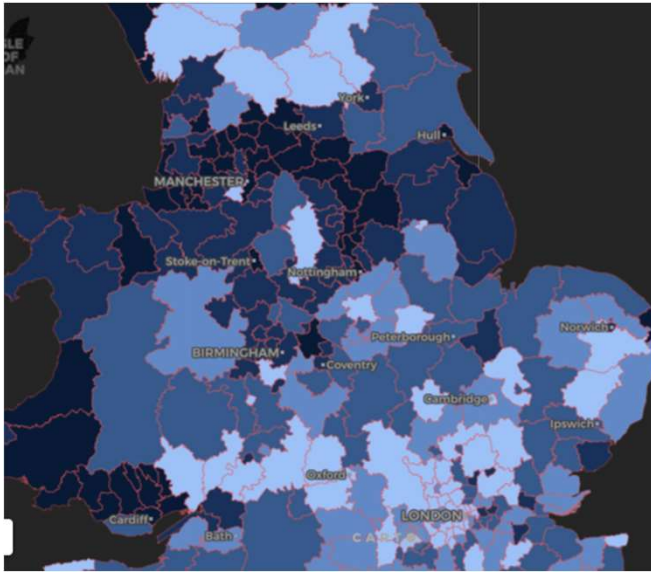


The buy-to-let market has been battered by rising mortgage rates - but for many landlords this just means a good buying opportunity. Around a third of landlords claim they intend to sell a property within the next 12 months, according to the comparison site Uswitch. However, while polls and surveys often suggest that landlords are heading for the exit, there is no evidence of a large scale exodus so far.

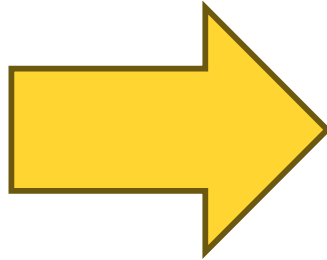
71 comments 59 shares

Yield data

Single Let



Manchester 7.79%
Leeds 7.56%
Cardiff 7.88%
Reading 6.04%
Birmingham 6.71%



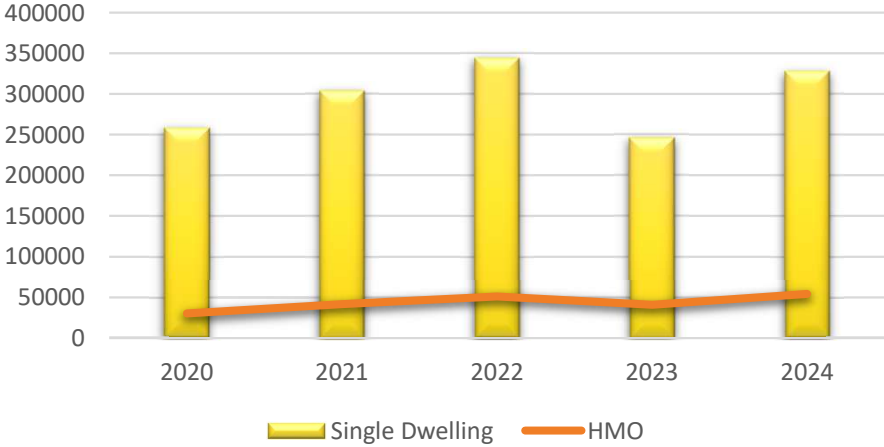
HMO Let



Manchester 9%
Leeds 9.2%
Cardiff 8%
Reading 7.4%
Birmingham 8.1%

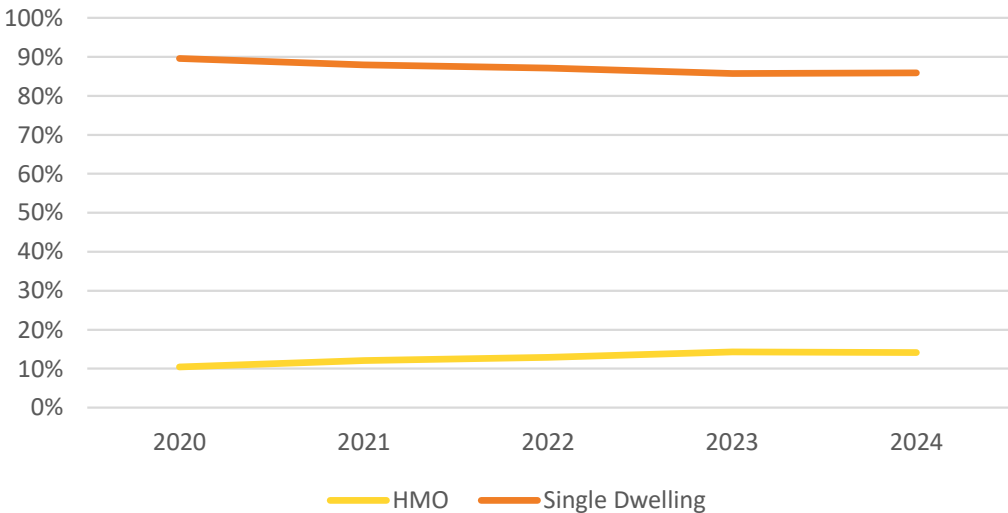
Sourcing comparison

Search Data - Single Dwelling vs HMO



Data Source 27tech

% Split Single Dwelling v HMO



HMOs

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What is an HMO?

A property is a house in multiple occupation (HMO) if both of the following apply:

- At least three tenants live there, forming more than one household
- You share a toilet, bathroom or kitchen facilities with other tenants

Licensing

- 5 tenants and above is mandatory requirement

Fact finding tips

Who occupies / will occupy the property?

Tell me about the room arrangements?

Who is the tenancy agreement with?

Are there any guaranteed rent or subletting clauses?

Government v local authority rules

It's important to recognise that government guidance isn't always matched from region to region.

- Many councils are stricter than national HMO licensing standards

Council flexibility;

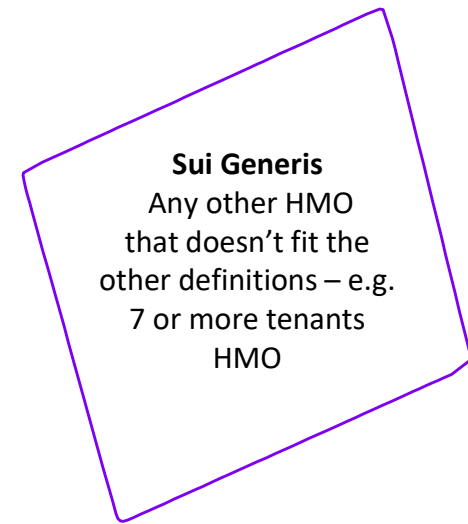
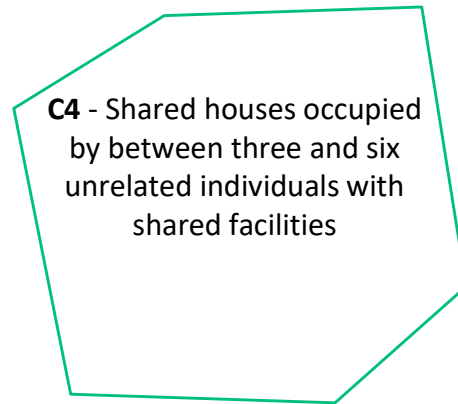
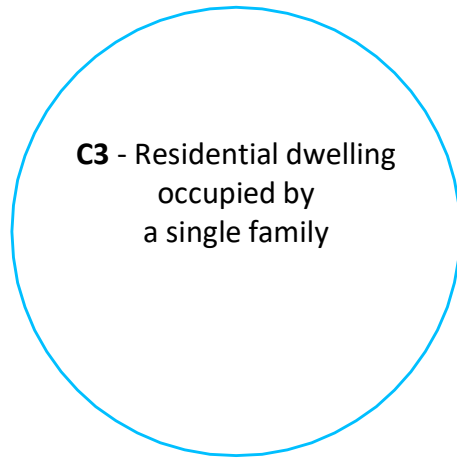
- Council can also go the other way - the minimum bedroom size for two people sharing was 10.22 sqm, whereas in Norwich, it was advised this should be a minimum of **11.22 sqm**
- providing an HMO licence despite not meeting the council requirements

Always remember to check the standards outlined by your local authority.



Planning and conversions

There are three main planning classes:



NC48

Permitted Development Rights allow you to move between C3 and C4 without the need for planning consent* (unless Article 4)

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NC48

can move from residential to small hmo

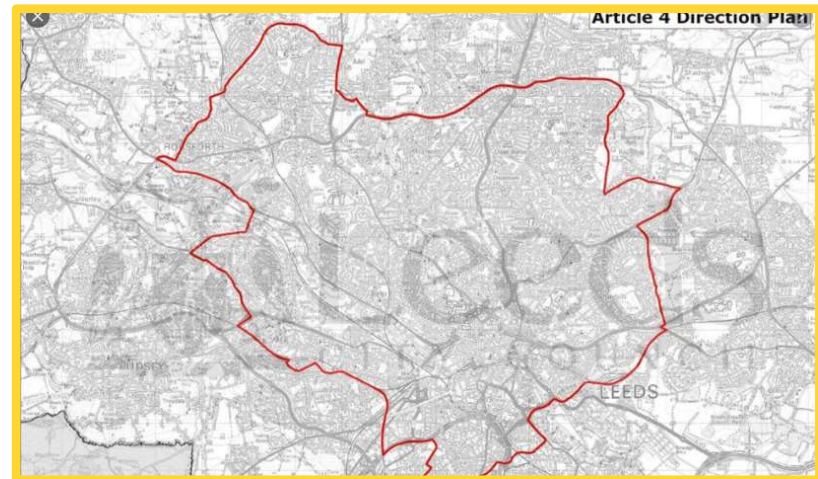
Natasha Carey, 14/02/2022

Article 4

What is it?

Simply put - the withdrawal of permitted development rights in a certain area.

For HMOs, it allows the councils to control HMO density within an area. Landlords would need to obtain full planning permission in order to convert a property into an HMO.



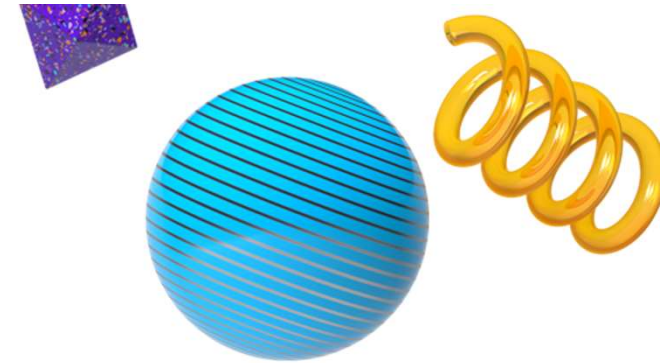
Planning and conversions

Lawful development certificates

What are these?

If the local planning authority is satisfied that the appropriate legal tests have been met, it will grant a lawful development certificate (LDC).

The LDC is effectively used in the absence of full planning permission.



Valuation methods

| AVM | Bricks and mortar valuation | Commercial (yield or investment) valuation |
|---|--|--|
| <ul style="list-style-type: none">○ Automated valuation – Algorithm of sold and rental comparable data○ Not used for HMO or MUFB | <ul style="list-style-type: none">○ Most common HMO valuation○ Some comparison to similar investments in the area | <ul style="list-style-type: none">○ Take in account achievable rent/yield○ Significant alterations○ Sui generis planning○ Article 4○ Sustainability of income○ Repairs/management costs○ Stand back..... |

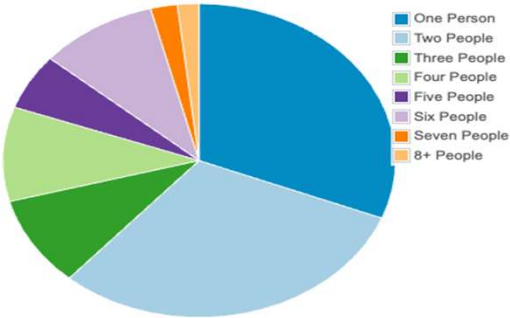
Street check data; Cawdor Rd, Fallowfield

Housing Occupancy

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This data lists the total number of residents normally resident within each household. The figures do not record under- or over-occupancy.

| Housing Occupancy | |
|-------------------|------------|
| One Person | 70 |
| Two People | 69 |
| Three People | 21 |
| Four People | 22 |
| Five People | 13 |
| Six People | 22 |
| Seven People | 5 |
| 8+ People | 4 |
| Total | 226 |

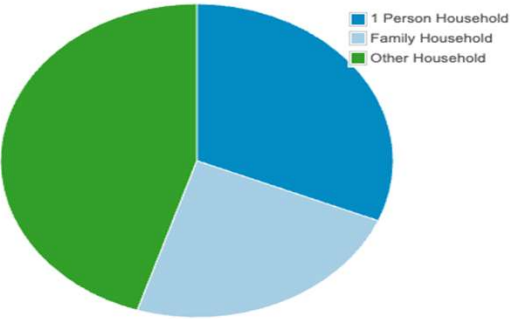


Household Composition

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This area contains a mixture of household compositions, as detailed below. No single type accounts for more than 50% of the households.

| Household Composition | |
|-----------------------|------------|
| 1 Person Household | 70 |
| Family Household | 53 |
| Other Household | 101 |
| Total | 224 |



From this

- Large 3 Beds like this example in Norwich typically let for £1,000 per month and can be acquired for in the region of £250,000/£280,000



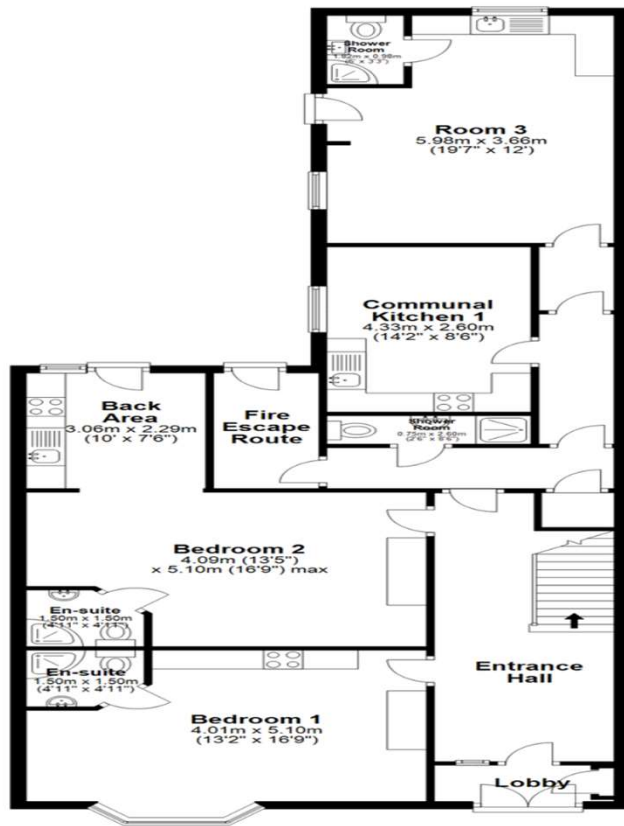
To this

- 4 Bed HMO in Norwich will typically let for £400-500 per room (£1,800-£2,000 per month)
- | | |
|-----------------------------|--------------------|
| ✓ Yield | X Conversion costs |
| ✓ Portfolio diversification | X Wear/tear |
| ✓ Low chance of total void | X Management |

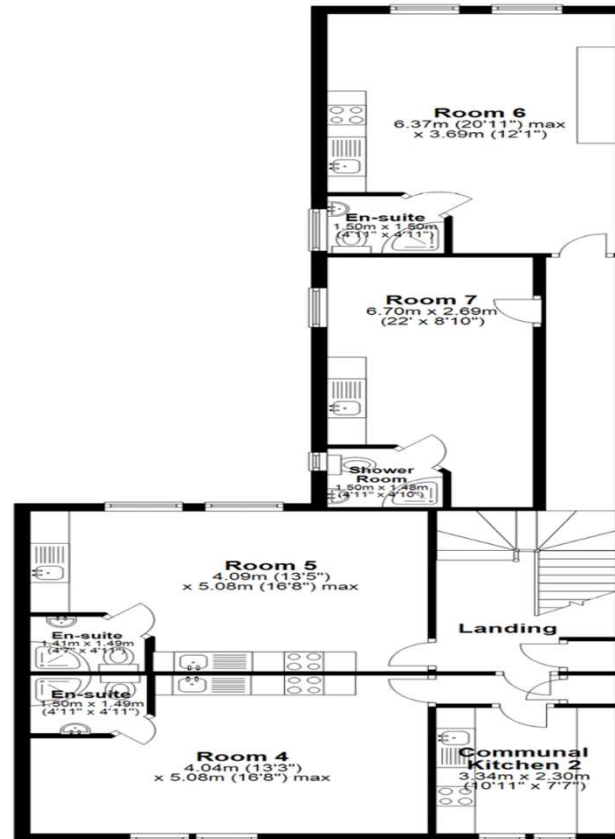


MUFB or HMO ?

Ground Floor
Approx. 147.2 sq. metres (1584.5 sq. feet)



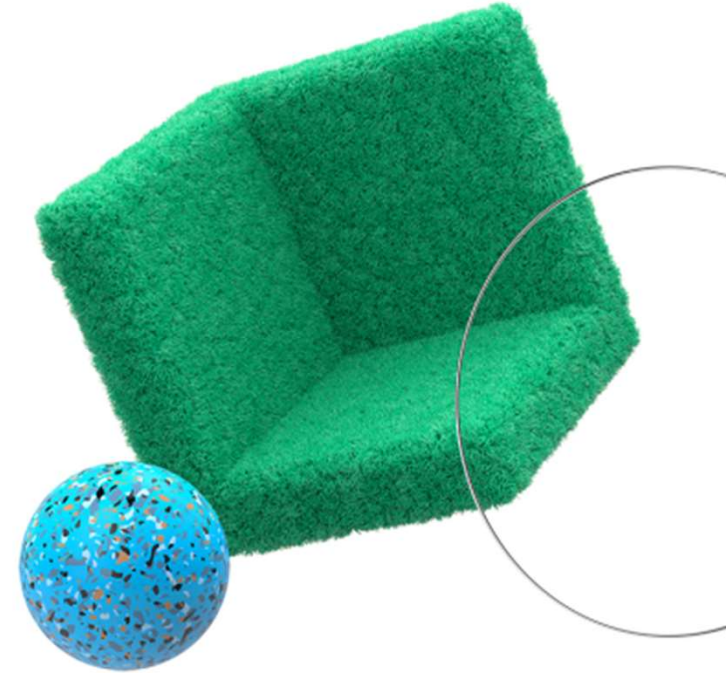
First Floor
Approx. 105.7 sq. metres (1137.4 sq. feet)



Enhance your fact find

- Is it an existing HMO?
- Is there Article 4 direction in that area?
- How many occupiers and how many kitchens?
- What is the room arrangement? (ensuite per room/kitchenette/locks on doors)
- What type of tenancy? (student, professional, corporate)
- Have you got planning / is planning needed?
- Do you need / have you got (or applied for) a licence?

Be mindful of rent 2 rent / subletting on HMOs...



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NC15

extra things to be asking to place the HMOs with correct lenders the 1st time

Natasha Carey, 14/02/2022

Why Landbay?

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Landbay

Our HMO products

Minimum Value £120k (**£75k in qualifying areas**)

Competitive rates

FTL HMO and MUFB (up to 6bd/6units)

No ERC range

Up to 12 beds

Max LTV 75% (Small HMOs up to 80%)

Student lets accepted up to 12 bed

Remortgages inside 6 months considered (conversions etc)

Investment valuations

About us

- We are experts in BTL
- Launched in April 2014
- Diverse funding lines for BTL/HMO/MUFB
- Direct access to underwriting (phone and email)
- Carbon neutral business 2021



Thank you
Any questions?

